PRESS RELEASE

EQUITY GROUP REGISTERS 14% DIP IN PROFIT AFTER TAX ON KSHS 3 BILLION PROVISIONS ON LOANS

Equity Centre, Nairobi. (28th May 2020) - Equity Group Holdings Plc released first quarter results which reflect the assessment the Group places in the uncertainty created by COVID-19. Profit before provisions was up by 10% to Kshs.10 billion from Kshs. 9.1 billion the previous year. However, the Group increased its loan loss provision tenfold to Kshs. 3 billion from Kshs. 300 million the previous year leading to a decline of profit after tax by 14% from Kshs. 6.2 billion to 5.3 billion for the same period last year.

While releasing the results Dr. James Mwangi, Group Managing Director and CEO said, “The global COVID-19 pandemic has mutated into a global economic crisis, occasioned by a sudden standstill of economic activity as a result of the global lockdown. This has introduced unprecedented uncertainty within the global financial systems prompting us to adopt a conservative approach - fortifying our balance sheet and assuring ample liquidity to support our customers.”

The Group continued to enjoy robust growth with total assets registering a 14% year on year growth to Kshs. 693.2 billion from Kshs. 605.7 billion driven by a 17% growth in customer deposits to Kshs. 499.3 billion from Kshs. 428.5 billion.

Net interest income grew by 11% on the back of a 24% year on year growth on loan book to Kshs. 379.2 billion up from Kshs. 305.5 billion, which reflected strain with the non-performing loan book growing to 10.9% up from 9.1% the previous year. Aggressive provisions saw the cost of risk rising to 3.24% up from 0.37%.

The Group’s total income grew by 13% to Kshs. 19.7 billion up from Kshs. 17.5 billion for the same period last year. Non-funded income grew by 16% outpacing the 11% growth on net interest income thereby increasing its contribution to 42% of the Group’s total income. Forex trading income grew by 34% to Kshs. 1.1 billion up from Kshs. 815 million with 26.5% of the volume traded contributed by diaspora flows. Diaspora remittances commissions grew by 22% to Kshs. 234 million up from Kshs. 192 million the previous year with the volume of diaspora remittances growing by 31% to reach Kshs. 40.6 billion up from Kshs. 30.9 billion the previous year. Merchant banking commission grew by 11% to Kshs. 582 million up from Kshs. 523 million the previous year with Merchant banking volume reaching Kshs. 29 billion up from Kshs. 25.6 billion

The Group continues to register impressive progress in transforming itself from the place you go to something you do on devices. The brick and mortar infrastructure of branches and ATMs processed only 6% of the Group’s banking transactions, while mobile and internet banking processed 79% of all transactions, with agents and merchants processing 15% of transactions making the Group an increasingly virtual digital financial service provider.

The Group’s regional and diversification subsidiaries continued to register impressive results with a return on equity of 18.7% against the Kenyan banking subsidiary return on equity of 21.6%. The subsidiaries increased their total revenue contribution to the Group’s revenue to 30% up from 28% the previous year, while raising their contribution of profit before tax to 26% of the Group’s profit up from 17%.

The Group stands well positioned to confront the challenges of the COVID-19 disruption that is mutating into an economic, financial and humanitarian crisis. The Group’s business model of high-volume low margins with non-funded income contributing 42% of total income and a low cost of funding of 2.8%, allows the Group to ride a compression of margin in interest earning assets. A well-diversified and distributed portfolio of Equity’s loan book across sectors of the economy and segments of clients helps to mitigate loan quality shocks.

A strong Group liquidity position of 51.6% and strong total capital to risk weighted asset buffer of 19.5% against a low loan to total assets ratio of 55% places the Group in a strong position to adequately handle the economic and financial challenges of the COVID-19 global health pandemic. This position is further enhanced by an agile liquid balance sheet with cash and cash equivalents of 38% of total assets and long-term funding of shareholders' funds and long-term debts constituting 23% of the total assets, places the Group in a strong strategic position to respond to and adeptly handle challenges associated with a rapidly changing and uncertain environment.

In addition, Equity Group Holdings Board has taken a conservative approach that recognizes the emerging unquantified risk of the pandemic and opted to preserve capital in the face of the prevailing uncertainty. As a result, the Board of Directors has withdrawn its recommendation of a Kshs. 9.5 billion dividends pay out to its shareholders for the 2019 financial year.

"A strong capital and liquidity position give us the strength and capacity to cushion our business against external shocks and accommodate and walk with our customers during these challenging times," said Dr. James Mwangi. He added that Equity has restructured customers' loans of up to Kshs. 92 billion for up to three years as an economic relief effort to the COVID-19 crisis.

"We will walk with our clients through this crisis and will give every client a chance to turn the crisis into an opportunity to thrive. Equity Group will deploy its capital strength, balance sheet agility and liquidity to support a long-term view," said Dr. Mwangi.

The Group continues to make social and impact investments to support society and build brand love under a shared prosperity business model. To date, the Group together with its development partners have invested US $433 million in education scholarships, agriculture transformation, health, energy, leadership development and business services along with capacity development for micro, small and medium enterprises and entrepreneurs.

"A strong corporate brand, an agile liquid balance sheet, a well segmented and diversified asset portfolio and a well-balanced risk management policy places the Group strongly to weather market challenges, support our customers not only to survive but to recover and thrive, emerging from this crisis stronger," said Dr. Mwangi as he released the first quarter of 2020 financial performance results.

(End)

About Equity Group Holdings, Plc
Equity Group Holdings (EGHL), is a Pan-African financial services holding company listed at the Nairobi Securities Exchange, Uganda Securities Exchange, and Rwanda Stock Exchange. The Group has banking subsidiaries in Kenya, Rwanda, Uganda, South Sudan, Tanzania and DRC with additional non-banking subsidiaries engaged in provision of investment banking, custodial, insurance agency, philanthropy, consulting, and infrastructure services.

Equity Group has an asset base of nearly USD 7billion. With over 14.5 million customers, The Group is one of the biggest banks in customer base in the region. Since 2008, the Group's corporate foundation, Equity Group Foundation (EGF), has delivered humanitarian programs in Education and Leadership, Food and Agriculture, Social Protections, Health, Clean Energy and the Environment, and Enterprise Development and Financial Inclusion to millions of Africans in the region. EGF has a networked health care provider, Equity Afia. Equity was founded in Kenya in 1984 as the Equity Building Society.

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